

Message Text

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PAGE 01 MANILA 08208 161006Z

46

ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

SS-15 STR-04 OMB-01 CEA-01 AGR-10 NEA-10 IO-10 L-03

H-02 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15

XMB-04 OPIC-06 LAB-04 SIL-01 FEAEE-00 INT-05 FPC-01

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SUBJ: ANSWERS FOR INOUYE HEARINGS TRANSCRIPT

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1. (A) ASIAN DEVELOPMENT BANK MAINLY FINANCES CAPITAL DEVELOPMENT PROJECTS IN ALL SECTORS INCLUDING AGRICULTURAL WITH INCREASED SHARE IN AGRICULTURE FOR 1974 GOING LARGEY FOR IRRIGATION AND INTEGRATED AREA DEVELOPMENT PROJECTS. NOTE THIS RESPECT THAT BANK ANTICIPATES INCREASING AG SHARE FURTHER IN 1975.

(B) WITH ONE EXCEPTION, ADB HAS NOT REPEAT NOT FINANCED EITHER FERTILIZER OR FOOD GRAIN IMPORTS, THEREFORE VIRTUALLY ENTIRE AMOUNT LENT IN AG SECTOR IS FOR INCREASED PRODUCTION CAPACITY. (EXCEPTION OCCURRED IN 1971 RUBBER PLANTATION LOAN FOR NORTH SUMATRA

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PAGE 02 MANILA 08208 161006Z

(INDONESIA). COMPONENT THAT LOAN WAS TO FINANCE

FERTILIZER IMPORTS FOR SMALL-HOLDERS.)

(C) BANK ACTIVITY IN AG SECTOR TARGETED PRIMARILY FOR IMMEDIATE INCREASE IN PRODUCTION WITH ADDITIONAL EFFORTS FOCUSED ON LONG-RANGE DEVELOPMENT OF INFRASTRUCTURE AND TECHNOLOGY. AG PROJECTS IN GENERAL OF COMPREHENSIVE NATURE INCLUDING PROVISIONS OF FARM CREDIT THROUGH RURAL COOPERATIVES OR DEVELOPMENT BANKS FOR FINANCING OF FERTILIZER, HIGH YIELDING SEED VARIETIES, ETC. DIMENSIONS OF TYPICAL PROJECT INCLUDE AG EXTENSION SERVICES, CONSTRUCTION OF IRRIGATION SYSTEMS, STORAGE AND MARKETING FACILITIES. PROJECT IMPLEMENTATION PERIOD MAY RUN FROM THREE TO FIVE YEARS BEFORE FULL BENEFITS OF EFFORT MATERIALIZE. IN ADDITION TO THIS RATHER IMMEDIATE PAY BACK, BANK HELPS FINANCE, E.G., RESEARCH EFFORTS BY ASSISTING SUCH INSTITUTIONS AS INTERNATIONAL RICE RESEARCH INSTITUTE IN LOS BANOS, PHILIPPINES, AND ASIAN VEGETABLE RESEARCH CENTER IN TAIWAN, RESULTS OF WHICH ARE FED INTO BANK AG PROJECTS. FINALLY, GROWING NUMBER OF BANK PROJECTS IN TRANSPORTATION SECTOR, IN EFFORT, AG ORIENTED, E.G., CONSTRUCTION AND IMPROVEMENT OF FEEDER AND FARM TO MARKET ROADS. HENCE PERCENTAGE OF BANK EFFORTS DEVEOTED TO AG MENTIONED ABOVE SOMEWHAT CONSERVATIVE SINCE BANK ACTIVITY IN TRANSPORTATION SECTOR HAS CRITICAL BEARING ON BORROWING COUNTRIES' ABILITY TO INCREASE AND MARKET FOOD PRODUCTION.

2. (A) ADB HEAVILY INVOLVED IN EFFORTS TO IMPROVE DOMESTIC FERTILIZER PRODUCTION AMONG ITS DEVELOPING MEMBER COUNTRIES WITH SPECIFIC REFERENCE TO EFFORTS INVOLVING USE OF INDIGENOUS FUEL SUPPLIES. FIRST SUCH BANK PROJECT THAT OF JOINT ADB/IBRD/USAID/JAPAN AID AGENCY (OTCA) EFFORT IN INDONESIA ON STAGE 2 PUSRI PROJECT USING DOMESTIC FUEL SUPPLIES. SINCE THEN, BANK, IBRD AND ABU DHABI HAVE FINANCED MULTAN FERTILIZER PROJECT IN PAKISTAN, UTILIZING DOMESTIC NATURAL GAS RESOURCES; ASHUGANJ FERTILIZER PROJECT IN BANGLADESH, FINANCED BY BANK CONSORTIUM WITH USAID, KFW (GERMANY), ODM (U.K.), IDA, SWITZERLAND AND IRAN, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MANILA 08208 161006Z

AGAIN USING DOMESTIC NATURAL GAS RESOURCES. BANK CURRENTLY PREPARING CONSORTIUM PROJECT IN SRI LANKA AND BANK APPRAISAL MISSION IN FIELD IN PAKISTAN FOR CONSIDERATION OF ADDITIONAL UREA FERTILIZER PROJECT AT MIRPUR MATHÉLO. FYI: IN VIEW OF SUBSTANTIAL CAPITAL COST FOR FERTILIZER PROJECTS, USUALLY IN \$150 TO \$250 MILLION RANGE, THESE PROJECTS TOO LARGE FOR FINANCING BY SINGLE LENDER AND CERTINLY BY ADB.

END FYI.

(B) IN 1974 REGIONAL PAYMENTS FOR FOOD GRAINS
INCREASED \$1.1 BILLION WHILE PAYMENTS FOR FERTILIZER
ROSE BY \$1.2 BILLION OVER 1973. FYI: DATA PROVIDED
PAGE 2 ADB 1974 ANNUAL REPORT AND PERTAINS TO BANK'S
DEVELOPING MEMBER COUNTRIES IN REGION. END FYI.

(C) SINCE AS NOTED PARA. 1(A) ABOVE, BANK TYPICALLY DOES NOT
REPEAT NOT FINANCE EITHER FERTILIZER OR FOOD GRAIN
IMPORTS, FINAL QUESTIONS STATED PARA. 2 REFTEL SEEKING
COMPARATIVE COSTS OF FOOD GRAINS AND FERTILIZER NOT
GERMANE TO ADB. HOWEVER, NOTE THAT ADB FERTILIZER
PROJECTS DESIGNED TO INCREASE DOMESTIC FERTILIZER
PRODUCTION CAPABILITIES UTILIZING INDIGENOUS FUEL
SUPPLIES. HENCE TO EXTENT EFFORTS SUCCESSFUL,
BORROWING COUNTRY STANDS TO SAVE CONSIDERABLE FOREIGN
EXCHANGE WHICH NORMALLY WOULD HAVE BEEN EXPENDED FOR
EITHER FOOD GRAIN OR FERTILIZER IMPORTS. IN THIS
RESPECT, WORKING HYPOTHESIS, WHICH SEEMS VALID, IS
THAT CONSTRUCTION COSTS OF DOMESTIC FERTILIZER
PRODUCTION CAPABILITIES VASTLY OFFSET BY MEDIUM AND
LONG-TERM SAVINGS IN FOREIGN EXCHANGE NORMALLY
TARGETED FOR FOOD GRAINS AND FERTILIZER IMPORTS.

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